

Message Text

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AMEMBASSY DAR ES SALAAM

AMEMBASSY LUSAKA

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY TOKYO

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E.O. 11652: NA

TAGS: BTIO, EAID, SEALJ, ECIN

SUBJECT: MOZAMBIQUE COAL EXPANSION

1. SUMMARY: CONGEN OFFICERS SPOKE WITH DIRECTOR MARIO SECCA OF LARGE LOCAL FIRM (COMPANHIA DE MOZAMBIQUE) ENGAGED IN PROJECT TO INCREASE SUBSTANTIALLY BY 1978 OUTPUT LOCAL COAL MINING OPERATION. PROJECT MEANS INCREASED FOREIGN EXCHANGE EARNINGS FOR MOZAMBIQUE AND MAY REPRESENT SUBSTANTIAL OPPORTUNITIES TO U.S. FIRMS FOR SALES IN MINING AND ORE HANDLING EQUIPMENT, ELECTRICAL SUPPLY EQUIPMENT, AND TO FIRMS CAPABLE OF ASSISTING IN RAILWAY AND PORT EXPANSION. DETAILED AIRGRAMS TO FOLLOW. END SUMMARY.

2. ORGANIZATION: CONGEN OFFICERS SPOKE WITH DIRECTOR OF COMPANHIA DE MOZAMBIQUE REGARDING ITS INVOLVEMENT THROUGH AFFILIATE CARBONIFERA DE MOZAMBIQUE IN COAL MINING EXPANSION
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NEAR TETE. PRESENT OWNERSHIP OF VENTURE AS FOLLOWS: ISCOR

(SOUTH AFRICAN STEEL CORPORATION 49 PERCENT, COMPANHIA DE MOZAMBIQUE 41 PERCENT, GPRM 10 PERCENT. FIRM CURRENTLY AWAITING PROPOSALS FROM 3 FOREIGN FIRMS: AMJX (US), RHEIN-BRAUN (GERMANY) AND SOFRESID (FRANCE) FOR CONTRACT TO DO FEASIBILITY STUDY AND ENGINEERING FOR PROJECT. NOTE: GOVERNMENT THOUGH PART OWNER HAS NOT APPROVED THIS PROJECT. SECCA FEELS THAT

GOVERNMENT MAY NOT AGREE TO LARGE PARTICIPATION BY SOUTH AFRICAN FIRM.

3. FORMULATION: PLAN IS TO DEVELOP BOTH SUB-SURFACE AND OPEN PIT MINING IN TETE AREA/ CURRENTLY SEVEN CLIENTS, INCLUDING JAPAN, NETHERLANDS AND GERMANY, ARE SHOWING INTEREST IN BUYING COAL. CIA DE MOZAMBIQUE WILL SELECT THREE OF CLIENTS. SELECTED CLIENTS MUST AGREE TO (A) LONG-TERM (TEN YEAR) CONTRACT TO BUY COAL AT GUARANTEED PRICE; (B) PROVIDE ALL FINANCING FOR OPEN-PIT MINE DEVELOPMENT, AND RAIL AND PORT MODIFICATIONS. CIA DE MOZAMBIQUE WILL SUPPLY CAPITAL SUB-SURFACE MINING. ADDITIONAL RAIL LINES WILL HAVE TO BE BUILT TO ACCOMMODATE INCREASED QUANTITIES COAL. CARBONIFERA THINKING OF BUILDING ELECTRIC POWERED TRAIN SYSTEM USING POWER FROM CABORA BASSA. PORT FACILITY IMPROVEMENTS NEEDED TO HANDLE LARGE QUANTITIES COAL. EXPECTED FOREIGN INVESTMENTS TOTAL DOLLARS US \$104 MILLION, OF WHICH DOLLARS US 40 MILLION FOR RAIL AND PORT IMPROVEMENTS, DOLLARS US 60 MILLION FOR OPEN-PIT DEVELOPMENT, DOLLARS 4 MILLION FOR SUB-SURFACE EXPANSION. SHORT-TERM SCHEDULE TO REDUCE CLIENTS TO THREE BY END AUGUST AND CHOOSE ONE OF COMPANIES FOR FEASIBILITY STUDY AND ENGINEERING CONTRACT BY END SEPTEMBER. CLIENT COUNTRIES MUST OK COMPANY CHOSEN.

4. OBJECTIVES: 1974 COAL PRODUCTION ABOUT 425,000 TONS. SUB-SURFACE MINE WILL RAISE OUTPUT TO ONE MILLION TONS 1978 AND OPEN PIT WILL BOOST IT TO THREE MILLION TONS BY 1979. EMPLOYMENT INCREASE NOT KNOWN, PRESENTLY ABOUT 900 MINERS. COULD ADD \$US 30 MILLION IN EXPORT EARNINGS AT PROJECTED 1979 LEVEL AT CURRENT PRICES.

5. POST THINKS PLANS ACHIEVABLE AND REALISTIC. LOCAL FIRMS WELL MANAGED WITH SUBSTANTIAL EXPERIENCE WITH FOREIGN COMPANIES. POST ALSO INFORMED JAPANESE VERY INTERESTED OBTAINING HIGH LIMITED OFFICIAL USE

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QUALITY COAL DEPENDABLE SOURCE. REAL IMPEDPMENTS CAN ARISE FROM GOVERNMENT POLICY TOWARD FOREIGN INVESTORS, WHICH IS NOT CLEAR AT THIS TIME. GOV'T NOT YET APPROVED PROJECT.

6. OPPORTUNITIES/IMPLICATION U.S. OPPORTUNITIES MAY EXIST FOR U.S. COMPANIES DEALING IN MINING EQUIPMENT, ORE AND OVERBURDEN HANDLING EQUIPMENT, RAIL LINE BUILDING, LOCOMOTIVES, ROLLING STOCK, OR PORT LOADING EQUIPMENT. LATER OPPORTUNITIES MAY

EXIST FOR COAL CONVERSION TO OTHER FUELS OR CHEMICALS.

7. COMMENT: CONGEN OFFICERS TOLD AMAX MAY HAVE INSIDE TRACK
ON DEVELOPMENT PROPOSAL.
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